

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 AS-01 ISO-00 SP-02 USIA-15 AID-05
EB-07 NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01
CEA-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00
XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02 PA-02
PRS-01 EAE-00 /111 W
-----084571 071054Z /10

P R 070940Z JUL 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 9203
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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BRUSSELS FOR US MISSION EEC

PARIS ALSO FOR US MISSION OECD

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS -- JUNE 29 - JULY 6

1. SUMMARY: AGAINST BACKGROUND OF FURTHER
APPRECIATION OF YEN EXCHANGE RATE, THE GOVERNMENT OF
JAPAN CONTINUES ITS HARD LOOK AT FURTHER MEASURES TO ACHIEVE A
MORE APPROPRIATE BALANCE IN ITS INTERNATIONAL PAYMENTS.
WHILE TOP OFFICIALS BUCKLE DOWN TO THE JOB, A FEW DIS-
CORDANT NOTES ARE STRUCK. IN OTHER DEVELOPMENTS,
RESERVES RISE \$137 MILLION IN JUNE; TOKYO RETAIL
PRICES IN JUNE ACTUALLY DECLINE 0.8 PERCENT FROM PREVIOUS MONTH;
AUTO REGISTRATIONS RISE IN JUNE; AND NEW BOND ISSUES
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ABROAD ARE ANNOUNCED. END SUMMARY.

2. SHARP MOVEMENTS IN THE YEN EXCHANGE RATE OVER THE
PAST WEEK HAVE KEPT FOREIGN EXCHANGE MARKET
DEVELOPMENTS IN THE FOREFRONT OF ECONOMIC NEWS AND
OCCASIONED A RENEWED SPATE OF COMMENTS ON THE IMPACT OF
YEN APPRECIATION. ALTHOUGH CONCERN IS AGAIN FREQUENTLY

EXPRESSED ABOUT THE IMPACT OF APPRECIATION ON CERTAIN INDUSTRIES AND SMALL AND MEDIUM SIZED ENTERPRISES, MOST NOTEWORTHY PROBABLY IS THE PROMINENCE OF VOICES SAYING YEN APPRECIATION IS EITHER NATURAL OR TOLERABLE AND THAT JAPAN MUST DO MORE TO DEAL WITH ITS BALANCE OF PAYMENTS SURPLUSES. THE PRIME MINISTER CONTINUES TO SAY THAT THE STRENGTH OF THE YEN REFLECTS THE CURRENT GOOD STATE OF THE JAPANESE ECONOMY; THAT THE GOVERNMENT WILL SEE TO IT THAT THE VALUE OF THE YEN IS LEFT TO MARKET FORCES; AND THAT JAPANESE ENTERPRISES CAN ADAPT THEMSELVES TO THE NEW SITUATION IN THE LONG RUN, AMONG OTHERS SETTING FORTH THE PARTY LINE AND RECEIVING ATTENTION WAS RECENTLY APPOINTED MINISTRY OF FINANCE ADMINISTRATIVE VICE MINISTER SHIGEYAMA YOSHIE, WHO SAID IN A SPEECH JULY 6 THAT THE JAPANESE MONETARY AUTHORITIES WILL NOT TRY TO CURB THE YEN'S RECENT APPRECIATION THROUGH INTERVENTION IN THE FOREIGN EXCHANGE MARKET BECAUSE THEY REGARD THE CURRENT STRENGTHENING OF THE YEN AS REFLECTING JAPAN'S EXTERNAL SURPLUSES. HE IS QUOTED AS HAVING SAID THE CURRENT HIGH LEVEL OF THE YEN IS "TOLERABLE."

3. AMONG OTHER, NOT SO OFFICIAL COMMENT, TWO STRAINS MAY BE WORTH NOTING. ONE, ATTRIBUTED IN THE PRESS TO AN UNSPECIFIED BUT REPORTEDLY ANGRY MINISTRY OF FINANCE OFFICIAL, IS THAT THE U.S. IS PLAYING TRICKS BY THE
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PRONOUNCEMENTS OF ITS PUBLIC OFFICIALS AND CONGRESSMAN ABOUT AN UNDERVALUED YEN, WHICH THE JAPANESE PRESS IS ONLY TOO EAGER TO PICK UP AND PLAY UP. ANOTHER STRAIN IS THAT CURRENT APPRECIATION OF THE YEN REFLECTS WEAKNESS OF THE DOLLAR IN A NUMBER OF FOREIGN EXCHANGE MARKETS, AND THAT RESPONSIBILITY LIES WITH U.S. TO DO SOMETHING ABOUT THAT WEAKNESS. HOWEVER, WHEN THIS SUBJECT CAME UP ALSO IN BANK OF JAPAN GOVERNOR MORINAGA PRESS CONFERENCE JULY 6, HE IS QUOTED AS HAVING SAID THAT THERE IS NO CAUSE FOR CONCERN THAT THE DEPRECIATION OF THE AMERICAN CURRENCY WILL LEAD TO A DOLLAR CRISIS.

4. REPORTS ARE ALSO CONTINUE TO CIRCULATE WIDELY THAT THE GOJ IS PREPARING AN ACTION PROGRAM TO DEAL WITH ITS BALANCE OF PAYMENTS SURPLUS. CONSULTATIONS AMONG CONCERNED MINISTRIES ARE REPORTED AS GOING ON CURRENTLY. AMONG MEASURES RUMORED AS UNDER CONSIDERATION (OR VIRTUALLY DECIDED IN SOME CASES) ARE FURTHER MEASURES TO STIMULATE THE ECONOMY, EASING OF IMPORT CURBS, INCREASED IMPORTS OF RAW MATERIALS, ASSISTANCE TO SMALLER ENTERPRISES (AFFECTED BY APPRECIATION), SHIFT OF US FORCES YEN PURCHASES INTO COMMERCIAL BANK CHANNELS, AND RESTRICTIONS ON CAPITAL IMPORTS.

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AID-05 EB-07 NSC-05 EPG-02 TRSE-00 SS-15 STR-04
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NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 L-03 H-02
PA-02 PRS-01 /111 W

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R 070940Z JUL 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 9204

TREASURY DEPT WASHDC PRIORITY

INFO AMEMBASSY BONN

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5. JAPAN'S OFFICIAL FOREIGN EXCHANGE RESERVERS
INCREASED \$137 MILLION IN JUNE, TO REACH \$17,388
MILLION AT MONTH END. THE JUNE INCREASE, WHICH
FOLLOWED A DECLINE OF \$66 MILLION IN MAY, BROUGHT
JAPANESE RESERVES BACK TO THEIR HIGHEST LEVEL SINCE
MARCH 1973.

6. IT WAS ALSO ANNUNCE THIS PAST WEEK THAT TOKYO
CONSUMER PRICE INDEX DECLINED 0.8 PERCENT IN JUNE, TO RECORD FIRST
DECREASE IN TEN MONTHS. PRINCIPAL CONTRIBUTOR TO PRICE
DECREASE WAS 2.0 PERCENT DROP IN FOOD PRICES WITH FRESH
VEGETABLES DOWN 17.6 PERCENT AND FRESH FRUIT DOWN
14.6 PERCENT. A 0.4 PERCENT DECREASE IN CLOTHING
PRICES ALSO CONTRIBUTED TO JUNE DECLINE. ON YEAR-
OVER-YEAR COMPARISON, TOKYO CPI NOW UP 8.8 PERCENT FROM
JUNE 1976. NATIONAL CPI FOR MAY, ALSO RELEASED THIS PAST
WEEK, SHOWS OVERALL INDEX INCREASED 0.9 PERCENT IN THAT
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MONTH.

7. NEW CAR REGISTRATIONS ROSE 12 PERCENT IN JUNE AFTER DECLINES IN TWO PREVIOUS MONTHS. DESPITE JUNE INCREASE, SECOND QUARTER 1977 AUTO SALES VOLUME WAS DOWN 5 PERCENT FROM FIRST QUARTER LEVEL, ANOTHER INDICATION THAT CONSUMER DEMAND REMAINS RELATIVELY LACKLUSTER.

PERCENT CHANGE

THOUSAND CARS, S.A. FROM PRIOR MONTH

RECENT QUARTERS: (MONTHLY AVERAGE)

1976 OCT-DEC	201.0	- 3.1
1977 JAN-MAR	220.9	9.9
APR-JUNE	210.4	- 4.8

RECENT MONTHS:

APR	219.0	- 7.8
MAY	194.7	-11.1
JUNE	217.7	11.8

8. MITSUBISHI CORPORATION ANNOUNCED THIS WEEK THAT IT WILL ISSUE DOLLAR 40 MILLION OF CONVERTIBLE BONDS IN THE EUROBOND MARKET. THE FIFTEEN YEAR BONDS WILL BEAR INTEREST OF 6 PERCENT. IT IS REPORTED THAT FUNDS RAISED WILL BE USED FOR DOMESTIC OPERATIONS AND THAT THE PAYMENT DATE IS JULY 22. NITTO ELECTRICAL INDUSTRY CO OF OSAKA ALSO ANNOUNCED THAT IT WILL ISSUE DOLLAR 15 MILLION OF CONVERTIBLE DEBENTURES ON THE EURO MARKET TO RAISE FUNDS FOR INVESTMENTS. ACCORDING TO THE COMPANY, PAYMENT DATE WILL BE AUG 2, BUT INTEREST RATE AND CONVERSION PRICE REMAIN TO BE FIXED.

MANSFIELD

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Message Attributes

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Copy: SINGLE
Sent Date: 07-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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From: TOKYO
Handling Restrictions: n/a
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Legacy Key: link1977/newtext/t19770780/aaaacrym.tel
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
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TAGS: EFIN, JA
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